Whitworth Midco Plc

Annual report and consolidated financial statements

Registered number 14482792

31 December 2023

Contents

Directors and advisers

Directors	JM Ainsworth NA Shaw
Secretary and registered office	ZS Robertson Universal Point Steelmans Road Wednesbury West Midlands WS10 9UZ
Independent auditor	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH

Strategic report

for the period ended 31 December 2023

The directors present their strategic report of the company and its subsidiaries (together the "Group" or "LoneStar") for the period ended 31 December 2023.

Principal activities

Whitworth Midco Plc was incorporated on 14 November 2022. The financial results for the company relate to the period from 14 November 2022 to 31 December 2023.

Whitworth Midco Plc was formed as a holding company to acquire LSP Investco Limited and its subsidiaries ("LoneStar") with the transaction completing on 8 March 2023. As part of this transaction, LSP Investco Limited disposed of certain subsidiaries which were acquired by another entity within the new group under the ultimate control of Epiris GP III Limited. The acquisition of the group was funded through a combination of equity, preference shares, shareholder loan notes and new third-party debt, further details are set out in the notes 1.2 and 17 to the accounts.

The first trading period and financial results for the Group relate to the period from 8 March 2023 to 31 December 2023.

Whitworth Midco Plc is a holding company for a group of companies whose principal activities are the manufacture, distribution and sale of fasteners, gaskets, flow control components and other ancillary products. The Group operates in the UK and across continental Europe, the Middle East, North America and the Far East and is a market leader in many of the geographies in which it trades.

Business review and future developments

The Group is a leading provider of standardised and custom high-performance fasteners, gaskets, flow control components and other ancillary products primarily for energy related industries including the oil and gas and power generation industries, as well as other markets such as industrial and infrastructure.

The Group delivered revenues of c.£156.8m and an operating profit of c.£14.3m in the period. After adjusting for transaction related costs and expenses, the business made an operating profit before depreciation, amortisation and exceptional costs of c.£21.4m in the period. The Group generated £22.2m of cash from operating activities with a period-end cash balance of c.£8.4m, demonstrating the cash generative nature of the Group.

The directors are optimistic about the prospects in the group's markets and believe the Group's businesses are well positioned for future growth.

Key performance indicators

The various businesses within the Group operate across a diverse range of geographies and markets supplying a range of fasteners, gaskets, flow control components and related ancillary products. Each business has its own key performance indicators ("KPI") with which to manage its operations.

The Group's key financial performance indicators, assessed within its operating companies, are turnover, operating profit before depreciation, amortisation and exceptional costs and cash generation. Various non-financial KPIs are currently monitored at an individual business unit level.

Principal risks and uncertainties

The Group operates globally in varied markets and manages the risks inherent in its activities. The Group seeks to mitigate exposure to all forms of risk, both external and internal and, where practical, mitigate the risk by using insurers where this is cost effective.

Financial risks

Foreign exchange

The Group is exposed to foreign currency transaction risk (where products are sourced in one currency and sold in another). Transaction risks are mitigated by dealing in the same currency (sourcing components in the same currency as the sale) where possible.

Group policy is to hedge a proportion of the overseas earnings exposure with foreign currency borrowings.

Credit

The Group is exposed to credit risk in relation to customers, banks, and insurers. Credit control procedures take into account the identified risks relating to customers, which includes credit checks and limits for customers. Where appropriate, the company insures business risks with insurers of good standing. Credit risk in relation to banks is mitigated by the Group's policy to deal only with major financial institutions.

Interest rate

The Group has interest bearing liabilities. Interest bearing liabilities consist of bank loans. The Group has a policy of maintaining short term deposits, cash balances and loan and overdraft facilities at a level sufficient to fund its operations including the servicing of interest-bearing liabilities.

Business risks

Competitors

The Group operates in competitive markets. The global footprint, diversity of operations and continued investment in improved capabilities within the Group reduces the effect from any single competitor.

Product failure

The reliability of the Group's products is key to the business. Product failure may have an effect on the business in terms of reputation and potential claims. To mitigate this risk, the Group has accredited quality control processes.

Raw material price movements

The Group's products contain various raw materials (mainly consisting of metals). Any increases or volatility in prices (including as a result of changes in tariff rates) and shortages in supply can affect the Group's performance. The diversity of products across the Group and the purchasing policies of the Group reduce the dependence of the company to any single item or supplier.

The Group has well established internal procedures to both minimise the cost impact of price movements and to manage changes to external selling prices accordingly.

Inventory risk

Maintaining a wide availability of products is important to the business. Obsolete or slow-moving inventory items may not be recovered at full cost. The Group has well established internal policies to minimise the impact through procurement and to record inventory at the lower cost and expected net realisable value.

Oil price movements

The global price of oil can influence the investment decisions of end-users in a number of the markets the business serves which in turn can impact demand for the Group's products. The Group's exposure to a number of geographies and other segments such as power generation helps to mitigate this risk.

Results

The profit for the financial period was £6,029,000.

Strategic report
for the period ended 31 December 2023 (continued)

Section 172 statement

The directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, to be most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in 172(1)(a-f) of the Companies Act 2006) in the decisions taken during the period.

This includes considering the interests of our customers, suppliers, and employees, maintaining high standards of business ethics and conduct, and considering our impacts on local communities and the environment.

Employees

Our employees are seen as an important component and asset of our business. We are committed to eliminating discrimination and encouraging diversity and endeavour to deal with our employees fairly and with respect. Our employees are expected to act with integrity, fairly, impartially, and in an ethical and proper manner in conducting the Group's business.

Our employees are encouraged to take an active role in health, safety and environmental issues. The Board receive regular health, safety and environmental reports.

Business relationships

We value the important relationships we have with our customers. We regularly engage with our customers to understand their requirements and to develop our product and service propositions to meet their needs. The Group also works closely with its suppliers to provide cost-effective goods, services and solutions through the supply chain in compliance with relevant laws and regulations.

Impact on community and environment

The Group continues to be committed to operating its business in an environmentally responsible way, and in compliance with relevant laws and regulations. The Group recognises that businesses have a critical role to play in the transition to a low-carbon future and is continuing to develop its own plan for this transition and to make other changes that will have positive impacts on the environment. In accordance with streamlined energy and carbon reporting requirements, during the period ended 31 December 2023, additional usage disclosure was not required as a result of the Company and its subsidiaries all being below the size criteria for reporting.

Reputation for high standards of business conduct

The Group is committed to having a high standard of business ethics and expects all our employees, customers, suppliers and contractors to share the same commitment. The Group operates a Global Code of Conduct which outlines expected behaviours for all its employees with other policies in place in support of that Code of Conduct such as the Group's Anti-bribery and Corruption Policy. Each year the Group issues a modern slavery statement that reaffirms our commitment to combatting slavery and human trafficking.

By order of the board

JM Ainsworth
Director

14 May 2024

Directors' report
for the period ended 31 December 2023

The directors present their report and audited financial statements of the company for the period ended 31 December 2023.

Future developments

Future developments in the business of the company are detailed in the Strategic report on page 2.

Dividends

A dividend of £nil was paid in the period.

Financial risk management

Financial risks affecting the company are detailed further in the Strategic report on page 3.

Going concern

The directors have prepared the financial statements on the going concern basis. See note 1.2 for further details.

Directors

The directors of the company during the period and up to the date of signing the financial statements were:

JM Ainsworth	(appointed 21 April 2023)
NA Shaw	(appointed 21 April 2023)
WDB Priestley	(appointed 14 November 2022, resigned 21 April 2023)
ZCY Lai	(appointed 14 November 2022, resigned 9 March 2023)
CEN Elkington	(appointed 14 November 2022, resigned 21 April 2023)

One of the directors who held office at the end of the financial period had interests in its immediate parent company, Usain Topco Limited.

Directors' indemnity provision

Pursuant to the company's Articles of Association, the company has granted indemnities to its directors and company secretary to the extent permitted by law in relation to certain losses and liabilities which they may incur in the course of acting as officers of the company. The company maintains director and officers' liability insurance for this purpose. This insurance was in force throughout the last financial period and is currently in force.

Copies of the insurance indemnity and of the company's Articles of Association are available for inspection at the company's registered office during normal business hours.

Political contributions

Neither the company nor any of its subsidiaries made any political donations or incurred any political expenditure during the period.

Directors' report *(continued)*

Employees

The group is conscious that its employees are key contributors to its success. The group therefore encourages good communications and employee relations across all of its operations by utilising practices developed in each of the operating subsidiaries which are compatible with local circumstances and individual national legislation.

Operating subsidiaries' senior management are kept abreast of group developments in financial, commercial, strategic and human resource matters and are thereby able to inform and consult with employees as appropriate.

The group also recognises its responsibilities to ensure the fair treatment of all of its employees in accordance with national legislation applicable to the territories within which it operates. Equal opportunities for appropriate training, career development and promotion are available to all employees regardless of any physical disability or their gender, religion, race or nationality. In particular, having regard to their aptitudes and abilities, the group gives full and fair consideration to applications for employment received from disabled persons. If members of staff become disabled the group continues employment, either in the same or an alternative position, with the appropriate retraining being given if necessary.

Pension arrangements in each of the countries in which the group operates are maintained in accordance with legislative requirements, custom and practice and group policy as appropriate.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

A resolution to reappoint KPMG LLP as auditor was approved at the AGM of the company.

By order of the board

Robertson

ZS Robertson
Company Secretary

Registered address:

Universal Point
Steelmans Road
Wednesbury
West Midlands
WS10 9UZ

14 May 2024

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law and as permitted by Euronext Stock Exchange the directors have elected to prepare the Group and parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

KPMG

Independent auditor's report to the members of Whitworth Midco Plc

1 Our opinion is unmodified

We have audited the financial statements of Whitworth Midco Plc ("the Company") for the period ended 31 December 2023 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2023 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Valuation of inventory

2023: £47.9 million

Refer to note 1 (accounting policy) and note 13 (financial disclosures).

The risk – subjective valuation

The group holds inventory which may be in excess of the amount it expects to sell and such inventory may not be recovered at a net realisable value greater than it's carrying value.

The group applies judgment in the estimation of the expected net realisable value of inventory. The group makes these judgments through the application of a percentage recoverability of inventory to different categories of usage. Therefore, the judgment relating to the amount of the percentages applied to each usage category is key.

The effect of these matters is that we determined the percentage applied to each usage category had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. This is of particular importance as the future usage may be impacted by the current economic conditions.

Our response

We performed the tests below because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed substantive procedures described.

Our procedures included:

- Independent reperformance: We recalculated the provision at each site in line with the Group policy and tested the accuracy of the data inputs;
- Methodology choice: We challenged the provisioning policy and year-end estimate based on our knowledge of the Group and the sales history;
- Historical comparison: We performed a retrospective review of management's ability to accurately determine inventory provisions.
- Test of details: We performed statistical samples or used data & analytics techniques to determine whether inventory was sold below cost by comparing the average and latest sales information to the value of the item in stock.
- Sensitivity analysis: We performed sensitivity analysis on the provisioning policy to assess the sensitivity to key inputs to the provision calculation.

Our results

We found that the Group's estimate of the inventory valuation was acceptable.

Recoverability of parent's debt due from group entities

(2023: £52.4 million)

Refer to note 1 (accounting policy) and note 14 (financial disclosures).

The risk – low risk, high value

The carrying amount of the intra-group debtor balance represents 98% of the parent company's total assets. The recoverability of the intra-group debtor balance is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.

Our response

We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures included:

- Tests of detail: Assessing 100% of the group debtors balance to identify, with reference to the relevant debtors' financial statements, whether they have a positive net asset value and therefore coverage of the debt owed.
- Assessing subsidiary audits: Assessing the work performed by the subsidiary audit team, and considering the results of that work, on those net assets, including assessing the ability of the subsidiary to obtain liquid funds and therefore the ability of the subsidiary to fund the repayment of the receivable.

Our results

We found the conclusion that there is no impairment of the intra-group group debtor balance to be acceptable.

KPMG

Independent auditor’s report to the members of Whitworth Midco Plc *(continued)*

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1.4m, determined with reference to a benchmark of total Group revenue of which it represents 0.9%.

We consider Group revenue to be the most appropriate benchmark as it is one of the group’s KPIs and also provides a more stable measure year on year than Group profit before tax. Materiality for the parent Company financial statements as a whole was set at £0.5m, determined with reference to a benchmark of Company total assets, of which it represents 0.9%.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% of materiality for the financial statements as a whole, which equates to £1.1m for the Group and £0.4m for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £70,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group’s 21 reporting components, we subjected 6 to full scope audits for group purposes and performed a desktop review over all other entities. The components for which we performed work other than audits for group reporting purposes were not individually significant. The components subjected to full scope audits represent 90% of Group revenue and 88% of Group total assets.

4 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group’s and the Company’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group’s and Company’s financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group’s and the Company’s available financial resources and metrics relevant to debt covenants over this period were worsening economic conditions which could lead to unexpected deferrals or cancellations of contracts by customers, higher interest rates, reduction of margins or a combination of these.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors’ sensitivities over the level of available financial resources and covenant thresholds indicated by the Group’s financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- Evaluated how management’s risk assessment process identifies business risks relating to events and conditions that may cast significant doubt on the ability to continue as a going concern.
- Evaluated the models management uses in its assessment,
- Evaluated whether management’s assessment has failed to identify events or conditions that may cast significant doubt on going concern and whether the method used by management is appropriate.
- Assessed the reasonableness of management’s forecasts and evaluated whether key assumptions were are within a reasonable range, and assessed the severe but plausible downside scenario
- Evaluated whether sufficient and appropriate audit evidence has been obtained to conclude whether a material uncertainty exists and the appropriateness of management’s use of the going concern basis of accounting.

KPMG

Independent auditor's report to the members of Whitworth Midco Plc *(continued)*

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Considering the existence of any significant unusual transactions.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the value of each individual revenue transaction is small. Therefore, there is limited opportunity for management manipulation or to fraudulently post the volume of transactions that would be required to have a material impact on revenue.

We identified a fraud risk related to the inventory provision estimate. Further detail in respect of the valuation of inventory is set out in the key audit matter disclosures in section 2 of this report.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness and the design of some of the Group-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries made to unusual accounts related to revenue, cash and loans and borrowings, seldom used accounts, those posted by senior group management and privileged users and those posted with unusual descriptions.
- Evaluated the business purpose of significant unusual transactions.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

We discussed with those charged with governance matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

Independent auditor's report to the members of Whitworth Midco Plc *(continued)*

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, and employment laws recognising the nature of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with those charged with governance matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

KPMG

Independent auditor's report to the members of Whitworth Midco Plc *(continued)*

7 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Leech (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

Dated: 14 May 2024

Consolidated profit and loss account and other comprehensive income

for the 14-month period from 14 November 2022 to 31 December 2023

	Note	Adjusted 2023 £000	Adjustments 2023 £000	**Group 2023 £000**
Turnover	2	156,788	-	**156,788**
Cost of sales	3	(103,607)	(1,163)	**(104,770)**
Gross profit		53,181	(1,163)	**52,018**
Goodwill and other intangible amortisation	*3*	-	(2,912)	**(2,912)**
Exceptional administrative expenses	*3*	-	(1,196)	**(1,196)**
Other operating expenses	*3*	(33,517)	(62)	**(33,579)**
Total operating expenses		(33,517)	(4,170)	**(37,687)**
Operating profit	*3*	19,664	(5,333)	**14,331**
Other interest receivable and similar income	*7*			**772**
Interest payable and similar expenses	*8*			**(7,011)**
Profit before taxation				**8,092**
Tax on profit	*9*			**(2,063)**
Profit for the financial period				**6,029**

Other comprehensive income

Foreign exchange differences on translation of foreign operations				**(574)**
Other comprehensive income for the period, net of income tax				**(574)**
Total comprehensive income for the period				**5,455**

All activities relate to continuing operations.

The first trading period and financial results for the Group relate to the 10 month period from 8 March 2023 to 31 December 2023.

See note 3 for further detail on the alternative performance measure adjustments.

The accompanying notes form part of these financial statements.

Consolidated balance sheet
at 31 December 2023

	Note	2023	
		£000	£000
Fixed assets			
Intangible assets	*10*		10,120
Tangible assets	*11*		7,531
			17,651
Current assets			
Stocks	*13*	47,932	
Debtors	*14*	42,589	
Cash at bank and in hand		8,403	
		98,924	
Creditors: amounts falling due within one year	*15*	(53,502)	
Net current assets			45,422
Total assets less current liabilities			63,073
Creditors: amounts falling due after more than one year	*16*		(49,456)
Net assets			13,617
Capital and reserves			
Called up share capital	*20*		50
Share premium account			4,950
Profit and loss account			8,617
Shareholders' funds			13,617

These financial statements were approved by the board of directors on 14 May 2024 and were signed on its behalf by:

JM Ainsworth
Director

Company registered number: 14482792

The accompanying notes form part of these financial statements.

Company balance sheet
at 31 December 2023

	Note	2023 £000	£000
Fixed assets			
Investments	*12*		**996**
			996
Current assets			
Debtors (of which £51,835,000 due in more than one year)	*14*	**52,384**	
Cash at bank and in hand		**-**	
		52,384	
Creditors: amounts falling due within one year	*15*	**(282)**	
Net current assets			**52,102**
Total assets less current liabilities			**53,098**
Creditors: amounts falling due after more than one year	*16*		**(46,456)**
Net assets			**6,642**
Capital and reserves			
Called up share capital	*20*		**50**
Share premium account			**4,950**
Profit and loss account			**1,642**
Shareholders' funds			**6,642**

The loss of the company for the 14-month period from 14 November 2022 to 31 December 2023 was £1,458,000.

These financial statements were approved by the board of directors on 14 May 2024 and were signed on its behalf by:

J Ainsworth

JM Ainsworth
Director

Company registered number: 14482792

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

	Called up share capital £000	**Share premium account £000**	**Profit and loss account £000**	**Total equity £000**
Balance at 8 March 2023	-	-	-	-
Issue of shares	50	4,950	-	5,000
Capital contribution from owners	-	-	3,162	3,162
Total comprehensive income for the period				
Profit for the financial period	-	-	6,029	6,029
Other comprehensive income	-	-	(574)	(574)
Total comprehensive income for the period	-	-	5,455	5,455
Balance at 31 December 2023	**50**	**4,950**	**8,617**	**13,617**

Company statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total Equity £000
Balance on incorporation	-	-	-	-
Issue of shares	50	4,950	-	5,000
Capital contribution from owners			3,100	3,100
Total comprehensive income for the period				
Loss for the financial period	-	-	(1,458)	(1,458)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(1,458)	(1,458)
Balance at 31 December 2023	**50**	**4,950**	**1,642**	**6,642**

Consolidated cash flow statement
for the 14-month period from 14 November 2022 to 31 December 2023

		2023
		£000
Profit for the financial period	6,029	
Taxation	2,063	
Interest payable and similar expenses	7,011	
Other interest receivable and similar income	(772)	
Depreciation and amortisation	4,693	
Decrease in stocks	2,682	
Decrease in debtors	563	
Increase in creditors	2,685	
Tax paid	(2,723)	
Net cash inflow from operating activities		**22,231**
Acquisition of a subsidiary	(79,990)	
Deferred consideration in respect of the acquisition of a subsidiary	(9,950)	
Acquisition related costs	(3,309)	
Purchase of tangible fixed assets	(3,178)	
Net cash outflow used in investing activities		**(96,427)**
Proceeds from issue of share capital	996	
Proceeds from new bank loan	23,401	
Proceeds from loan notes issued	31,330	
Proceeds from bond issue	31,419	
Proceeds from new shareholder loan	21,355	
Interest paid	(4,781)	
Repayment of borrowings	(32,830)	
Net cash inflow from financing activities		**70,890**
Net decrease in cash and cash equivalents		**(3,306)**
Cash and cash equivalents acquired		**11,991**
Exchange adjustments		**(282)**
Cash and cash equivalents at 31 December		**8,403**

The first trading period and financial results for the Group relate to the 10 month period from 8 March 2023 to 31 December 2023.

Notes
(forming part of the financial statements)

1 Accounting policies

Whitworth Midco Plc (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered number is 14482792 and the registered address is Universal Point, Steelmans Road, Wednesbury, West Midlands, WS10 9UZ.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

As the Company is a parent of a group of companies (the "Group") the going concern assessment considers the going concern for the Group as a whole. As part of acquisition on 8 March 2023, the Group obtained facilities provided by Wells Fargo which have an overall limit of £50m and include asset based lending ("ABL") and term loan elements. The ABL element is subject to limitations based on certain inventory and accounts receivables parameters and its maturity is March 2028. The term loan is repayable monthly until August 2025. The acquisition of the Group was funded through a combination of equity, preference shares, loan notes and the new Wells Fargo facility referenced above. In June 2023 certain loan notes were repaid in full utilising the proceeds from the issue of $40m of bonds by the Company. These bonds have been listed on the Euronext stock exchange in Oslo and mature in 2027.

Management have prepared cash flow forecasts and accompanying covenant compliance calculations for the period to 31 December 2025, including a severe, but plausible downside scenario which included reductions to revenue, increased costs, increased interest rates and higher working capital than Management expects. These cash flow forecasts indicate that the Group will have sufficient funds to meet its liabilities as they fall due for the going concern assessment period being the 12 months from the date these financial statements were approved by the Board.

Therefore, the directors consider, after making appropriate enquiries and taking into consideration the risks and uncertainties facing the Group, on page 2, that the Group has adequate resources to continue in operation as a going concern and that Group will be able to meet its obligations linked to the borrowings in place for the period covered by the Group's cash flow forecasts. Accordingly, the directors continue to adopt the going concern basis in preparing these consolidated and parent company financial statements.

Notes (continued)

1 Accounting policies *(continued)*

1.3. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2023. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The consolidated financial information of the Whitworth Midco Plc group is prepared on an acquisition accounting basis.

These consolidated financial statements include the results of the Company as well as the results of the consolidated Whitworth Midco Plc group of companies.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.4. Classification of financial instruments issued by the Group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5. Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

All borrowings are initially stated at the cost of the consideration received after the deduction of loan finance costs. These costs are charged to the profit and loss account over the estimated life of the relevant borrowings, on a constant rate basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes _(continued)_

1 Accounting policies _(continued)_

**1.6. Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. Lease payments are accounted for as described at 1.12 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

Leasehold property improvements	Life of the lease
Plant and machinery	between 2-10 years
Motor vehicles	between 2-4 years
Fixtures, fittings and equipment	between 2-10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset’s future economic benefits.

**1.7. Business combinations**

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the Group recognises goodwill as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- any non-controlling interest at the non-controlling interest’s share of the net amount of the identifiable assets, liabilities and provisions for contingent liabilities so recognised; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Intangible assets acquired in a business combination

For business combinations, the Group and Company recognises intangible assets from goodwill if the intangible meets all of the following three criteria:

- meets the recognition criteria per FRS 102.18.4; and
- are separable; and
- arise from contractual or other legal rights.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7. Business combinations (continued)

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of the intangible assets and goodwill. The finite useful life of goodwill has been estimated as 10 years. The finite useful life of the intangible assets have been estimated between 1 and 15 years depending on the nature of the asset. The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. Goodwill and any other intangible assets are tested for impairment in accordance with FRS 102 Section 27 Impairment of Assets when there is an indication that goodwill or an intangible asset may be impaired.

1.8. Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items. Cost is based on the average weighted principle or the FIFO principle. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

1.9. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10. Contingent liabilities

Where the parent company or a subsidiary enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.11. Turnover

Turnover is recognised at the value of the consideration received or receivable for sale of goods and services in the ordinary course of the business net of sales taxes, rebates and discounts and after eliminating sales within the group. Turnover is recognised at the point of despatch or acceptance of goods by the customer, depending on the terms agreed with the customer.

1.12. Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest income and interest payable are recognised in profit or loss as they accrue. Dividend income is recognised in the profit and loss account on the date the entity’s right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.13. Pension costs

The Group operates a number of defined contribution pension plans. A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes (continued)

1 Accounting policies *(continued)*

1.14. Share based payments

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using a Monte Carlo option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.15. Exceptional income and costs

In order to illustrate the underlying performance of the Group, presentation has been made of performance measures excluding those items which it is considered would distort the comparability of the Group's results. Non-underlying items are presented as "adjustments" in the profit and loss account or "exceptional income and costs" and are defined as those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to enable users of the financial statements to better understand elements of financial performance in the period, so as to facilitate comparison with future and prior periods.

Material judgements in respect of the classification of exceptional items in the current period related to one-time financing, legal and M&A related exceptional costs , amortisation on acquired intangible assets and goodwill and non-cash share based payments charges.

1.16. Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

Notes *(continued)*

1 Accounting policies *(continued)*

1.17. Accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made a number of estimates and judgements. The key estimates and judgements concerning the future and other sources of estimation uncertainty that have the most significant effect on the financial statements at the reporting date are described below.

Significant

Stock provision

The Group provides against obsolete and slow-moving stock based on usage levels and management judgement, including an assessment of estimated future usage and saleability.

Other

Goodwill and intangible assets

Goodwill and intangible assets are tested for impairment in accordance with FRS 102 Section 27 Impairment of Assets when there is an indication that goodwill or an intangible asset may be impaired, which require estimates and judgements to be made of the value in use of its cash generating units ("CGU"). This calculation requires the Group to estimate the future cash flows and growth rates expected to arise from its trading companies, and use a suitable discount rate in order to calculate the present value of those cash flows.

Investments

The Company has investments that are subject to impairment testing on an annual basis, which require estimates and judgements to be made of the value in use of its cash generating units ("CGU"). This calculation requires the Group to estimate the future cash flows and growth rates expected to arise from its trading companies, and use a suitable discount rate in order to calculate the present value of those cash flows.

Trade debtors provision

The Group makes an estimate of the recoverable value of trade debtors. When assessing impairment of trade debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors, regional payment practices and historical experience.

1.18. Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are only recognised to the extent that it is probable that they are realisable.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Turnover

	2023 £000
By geographical market:	
UK	**21,388**
Rest of Europe	**32,642**
North America	**65,363**
Rest of World	**37,395**
	156,788

The above analysis is based on destination.

	2023 £000
By geographical location:	
Americas	**70,800**
Europe	**62,150**
MENA-APAC	**23,838**
	156,788

The above analysis is based on origin.

3 Expenses and auditor's remuneration

Included in operating profit are the following:

	2023 £000
Auditor's remuneration:	
Audit of these financial statements	**450**
Amounts receivable by the Company's auditor and its associates in respect of:	
Audit of financial statements of subsidiaries of the Company	**270**

Auditor's remuneration in respect of the Company was £40,000.

Alternative performance measures

Adjustments relate to certain items considered non-underlying in nature (see accounting policy 1.15 for further details) and relate to the following items:

	2023 £000
Operating profit	**14,331**
Reversal of an acquisition related fair value adjustment to inventory (note 24)	**1,163**
Amortisation arising on goodwill and intangibles on consolidation (note 10)	**2,912**
Financing, legal and M&A related exceptional costs	**1,196**
Share based payment expense on shares issued	**62**
Depreciation (note 11)	**1,781**
Operating profit before depreciation, amortisation and exceptional costs	**21,445**

Notes *(continued)*

4 Operating segments

The Group has the following three reportable segments based on geographic location which will also serve as the principal markets for the entities included in the respective segments. Information related to each reportable segment is set out below.

2023	Americas £000	Europe £000	MENA-APAC £000	Total £000
External revenue	70,800	62,150	23,838	156,788
Inter-segment revenue	4	66	1,571	1,641
Segment revenue	**70,804**	**62,216**	**25,409**	**158,429**
Depreciation and amortisation	564	1,005	212	1,781
Interest receivable and similar income	394	302	2,561	3,257
Interest payable and similar charges	(122)	-	-	(122)
Segment profit before tax	**6,058**	**10,356**	**8,920**	**25,334**
Tax on profit	(901)	(1,716)	(537)	(3,154)
Capital expenditure	503	2,246	429	3,178

2023	Total £000
Revenue	
Total revenue for reportable segments	158,429
Elimination of inter-segment revenue	(1,641)
Consolidated revenue	**156,788**
Profit before tax	
Total profit before tax for reportable segments	25,334
Other corporate expenses	(17,242)
Consolidated profit before tax	**8,092**

Notes *(continued)*

5 Directors' remuneration

	2023 £000
Directors' remuneration	421
Company contributions to money purchase pension plans	18

The aggregate remuneration of the highest paid director was £313,000 and company pension contributions of £13,000 were made to a money purchase scheme on their behalf. The number of directors at period end who accrued benefits under company pension schemes in the period was two.

6 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows:

	Number of employees 2023
Direct	620
Indirect	196
Management and administration	326
	1,142

The aggregate payroll costs of these persons were as follows:

	2023 £000
Wages and salaries	38,084
Social security costs	2,624
Contributions to defined contribution plans	1,060
	41,768

7 Other interest receivable and similar income

	2023 £000
Interest receivable on bank balances	77
Net foreign exchange gain	695
	772

8 Interest payable and similar expenses

	2023 £000
Interest payable on bank overdrafts and bank loans	1,852
Interest payable on bonds issued	2,197
Amortisation of finance issue costs	579
Interest payable on shareholder loan notes	2,383
Total interest payable and similar expenses	7,011

Notes *(continued)*

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2023	
	£000	£000
Current tax		
Current tax on income for the period		1,545
Adjustments in respect of prior periods		(194)
Foreign tax		
Current tax on income for the period		584
Adjustments in respect of prior periods		(261)
Total current tax charge/(credit)		1,674
Deferred tax (see note 19)		
Origination and reversal of timing differences	214	
Adjustments in respect of prior periods	175	
Total deferred tax charge		389
Total tax charge on profit		2,063

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below.

Reconciliation of effective tax rate

	2023
	£000
Profit for the period	6,029
Total tax charge	2,063
Profit before taxation	8,092
Tax using the UK corporation tax rate of 23.5%	1,902
Effect on tax charge of:	
Expenses not deductible for tax purposes	871
Adjustment in respect of foreign tax rates	31
Adjustment in respect of previous years	(280)
Recognition of previously unrecognised deferred tax	(498)
Utilisation of losses bought forward	37
Total tax charge included in profit or loss	2,063

A 6% increase in the main rate of UK corporation tax rate from 19% to 25% took effect from 1 April 2023 and the UK deferred tax asset as at 31 December 2023 has been calculated based on this rate.

Notes *(continued)*

10 Intangible assets and goodwill

Group	Trademarks £000	Customer Contracts £000	Order Book £000	Goodwill £000	Total £000
Cost					
Acquisitions through business combinations	5,408	1,325	1,559	4,740	13,032
Balance at 31 December 2023	5,408	1,325	1,559	4,740	13,032
Amortisation and impairment					
Amortisation for the period	356	602	1,559	395	2,912
Balance at 31 December 2023	356	602	1,559	395	2,912
Net book value					
At 31 December 2023	**5,052**	**723**	**-**	**4,345**	**10,120**

Intangible assets relate to items identified as part of the acquisition completed on 8th March 2023 (see note 24).

Trademarks relate to those in use by the trading subsidiaries within the Group and are being amortised over a period of between 10 and 15 years.

Customer contracts relate to the value of contracts in place at the time of the acquisition and are being amortised over a period of up to 2 years, reflecting the length of the relevant contracts.

Order Book relates to the value attributable to the order book at the date of acquisition and, given the typical lead time in the order book, has been fully amortised by 31 December 2023.

Goodwill is being amortised over a period of 10 years.

Notes *(continued)*

11 Tangible fixed assets

Group	Leasehold property improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings and equipment £000	Total £000
Cost					
Acquired through business combinations	964	4,192	100	1,020	6,276
Additions	411	2,295	4	468	3,178
Effect of movements in foreign exchange	(11)	(102)	(3)	(26)	(142)
Balance at 31 December 2023	1,364	6,385	101	1,462	9,312
Depreciation and impairment					
Depreciation charge for the period	183	1,202	58	338	1,781
Balance at 31 December 2023	183	1,202	58	338	1,781
Net book value					
At 31 December 2023	**1,181**	**5,183**	**43**	**1,124**	**7,531**

Leased plant and machinery

At 31 December 2023, the net carrying amount of plant and machinery leased under a finance lease was £nil.

Notes *(continued)*

12 Fixed asset investments

Company	**Subsidiary undertaking shares £000**
Cost and Net book value:	
Additions	**996**
At 31 December 2023	**996**

As at 31 December 2023, the Company owns 100% of the issued ordinary share capital of the following companies:

Name	Nature of business	Registered office
Whitworth Holdco Limited*	Intermediate holding company	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
Whitworth Bidco Limited	Intermediate holding and financing company	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
Whitworth Bidco LLC	Intermediate holding company	c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA
Whitworth Bidco 2 Limited^	Intermediate holding company	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
LSP Investco Limited	Intermediate holding company	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
LSP Acquisition (UK) Ltd ^	Intermediate holding company	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
LSP Acquisition Corporation	Intermediate holding and financing company	c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA
LSP Acquisition LLC	Financing company	c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA
Lone Star Holdings UK Limited ^	Intermediate holding company	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
Lone Star SRL (Romania)	Distribution of fasteners and gaskets	DN72, Ploiesti – Targoviste Road, KM No. 8, Ploiesti Industrial Park, Romania
Lone Star PRD Group Limited ^	Intermediate holding company	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
Lone Star Triplefast Private Ltd	Distribution of fasteners and gaskets	19, Kian Teck Crescent, Singapore 628885
Oil Field Sealing Techno Systems Private Limited	Manufacture and distribution of gaskets	56-C, 7th Street, Ambattur Industrial Estate, Chennai, Tamil Nadu 600098, India
Lone Star Fasteners LLC	Manufacture and distribution of fasteners and fittings	24131 West Hardy Road, Spring, Texas 77373, USA
Lone Star Sealing Technologies LLC	Manufacture and distribution of gaskets	835 Greens Parkway #200, Houston, TX 77067, USA
Lone Star Leeds Limited	Manufacture and distribution of precision components and gaskets	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
Lone Star Grange Limited	Dormant	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
Triplefast Middle East Limited	Manufacture and distribution of fasteners and gaskets	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
Eurofast Petrochemical Supplies Limited	Dormant	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
LoneStar Fasteners Europe Limited	Manufacture and distribution of fasteners	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
P.R.D. Fasteners Limited	Dormant	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
Triplefast International Limited	Dormant	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
PH Industrial Trading (Ningbo) Limited	Distribution of fasteners	Nisseki Building, No. 438 Zhujiang Road, Beilun District, 315800 Ningbo, PR China
Ningbo Panxiang Import & Export Limited	Export distribution of fasteners	Nisseki Building, No. 438 Zhujiang Road, Beilun District, 315800 Ningbo, PR China
Energy Hardware Holdings LLC	Distribution of fasteners and other products	2730 East Phillips Rd., Greer, SC 29650, USA
Lone Star Australia Pty Limited	Distribution of fasteners and gaskets	Level 29, 221 St. Georges Terrace, Perth, Western Australia 6000, Australia
Hydrobolt Group Holdings Limited ^	Intermediate holding company	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
LoneStar Fasteners Hydrobolt Limited	Manufacture and distribution of fasteners	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
Hydrobolt Group Limited	Intermediate holding company	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
Hydrobolt (Holdings) Limited	Dormant	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
Studbolt Manufacturing Limited	Dormant	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
Birmingham Coldform & Special Fasteners Limited	Dormant	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
Pipeline Package Solutions Limited	Dormant	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
Hydrobolt EBT Limited	Dormant	Universal Point, Steelmans Road, Wednesbury, WS10 9UZ
AmeriBolt, Inc.	Manufacture and distribution of fasteners	18060 AL-21, Sycamore, AL 35149, USA

* owned directly by the company
^ entities have taken exemption from audit under s479A-479C of the Companies Act 2006

All of the above subsidiaries are included in the group consolidation. The directors believe that the carrying value of the investments is supported by either their underlying net assets or trade and future cash flows.

Notes *(continued)*

13 Stocks

	Group 2023 £000	Company 2023 £000
Raw materials and consumables	13,912	-
Work in progress	7,951	-
Finished goods	26,069	-
	47,932	-

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the period amounted to £65,325,000. The net write-down of stocks and reversal of write-downs amounted to £123,000 and is included in cost of sales.

14 Debtors

	Group 2023 £000	Company 2023 £000
Trade debtors	32,045	-
Amounts owed by group undertakings	-	52,384
Corporation tax	327	-
Deferred tax assets (see note 19)	5,151	-
VAT receivable	1,484	-
Prepayments and accrued income	3,582	-
	42,589	52,384

Included in the company debtors is £51,835,000 related to amounts owed by group undertakings due after more than one year. These amounts were subject to interest at 8.5% with a final termination date of 8 March 2030.

15 **Creditors:** amounts falling due within one year

	Group 2023 £000	Company 2023 £000
Bank revolving credit facility (note 17)	14,401	-
Bank term loan (note 17)	4,500	-
Trade creditors	17,536	-
Other taxation and social security	410	-
Accruals and deferred income	16,655	282
	53,502	282

16 **Creditors:** amounts falling after more than one year

	Group 2023 £000	Company 2023 £000
Bank term loan (note 17)	3,000	-
Bond (net of issue costs) (note 17)	30,735	30,735
Amounts due to parent undertaking	15,721	15,721
	49,456	46,456

Amounts due to parent undertaking are accruing interest at 8.5% and are repayable by 8 March 2030.

Notes *(continued)*

17 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's external interest-bearing loans and borrowings, which are measured at amortised cost.

	Group 2023 £000	Company 2023 £000
Creditors falling due more than one year		
Bank term loan	3,000	-
Bond (net of issue costs)	30,735	30,735
Amounts due to parent undertaking	15,721	15,721
	49,456	46,456
Creditors falling due within less than one year		
Bank ABL facility	14,401	-
Bank term loan	4,500	-
	18,901	-

As part of the acquisition on 8th March 2023, the Group new senior secured facilities provided by Wells Fargo. These new facilities have an overall limit of £50m and include asset based lending ("ABL") and term loan elements. The ABL element is subject to limitations based on certain inventory and accounts receivables parameters and its maturity is March 2028. The term loan is repayable monthly between September 2023 and August 2025. As security for this facility the majority of the trading companies within the sub-group headed by Whitworth Bidco Limited guaranteed the financial obligations under the group debt facility of other companies within the group, supported by legal charges on the assets of the group.

In addition to the senior secured facilities, a loan of £31.3m was provided by the shareholders of the immediate parent company in March 2023. This loan, including interest accrued at a rate of 10%, was repaid in June 2023.

In June 2023 the Company issued a 4 year $40m Nordic bond ("Bond"), which was subsequently listed on the Euronext stock exchange in Oslo in December 2023. The Bond has a fixed interest rate of 12.875% and is repayable in 2027.

Terms and debt repayment schedule

Group	Nominal interest rate	Year of maturity	Original loan value	Frequency of repayments	2023 £000
Pound term loan	SONIA + 3%	2025	£9,000,000	Monthly	7,500
ABL facility	SONIA + 2%	2028	Up to £50,000,000	At maturity	14,401
Bond	12.875%	2027	$40,000,000	At maturity	31,419
Amounts due to parent undertaking	8.5%	2030	£21,355,347	At maturity	15,721

Notes *(continued)*

17 Interest bearing loans and borrowings *(continued)*

Total costs of £474,000 have been incurred in obtaining the senior secured facilities from Wells Fargo. These costs have been fully amortised in the period given the nature of the facility. Total costs of £782,000 have been incurred in issuing the Bond, of which £98,000 has been amortised in the period. Total amortisation cost of £572,000 has been charged to the profit and loss account in the current period. The amount of issue costs not yet amortised at 31 December 2023 is £684,000 and is offset against the borrowing.

The ageing of interest-bearing loans and borrowings is as follows:

2023	**Borrowings £000**	**Issue costs £000**	**Net £000**
Less than one year	18,901	-	**18,901**
More than one year but not more than two years	3,000	-	**3,000**
More than two years but not more than five years	31,419	(684)	**30,735**
More than five years	-	-	**-**
	53,320	**(684)**	**52,636**

18 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2023 £000
Assets measured at amortised cost	**40,448**
Liabilities measured at amortised cost	**(70,173)**

Notes *(continued)*

19 Deferred tax

Deferred tax assets/(liabilities) are attributable to the following:

Group	Assets 2023 £000	Liabilities 2023 £000	Net 2023 £000
Accelerated capital allowances	**588**	**-**	**588**
Arising on business combinations	**-**	**(1,443)**	**(1,443)**
Arising on historic business combinations	**3,408**	**-**	**3,408**
Unused tax losses	**75**	**-**	**75**
Other	**2,875**	**(352)**	**2,523**
Net tax (assets)/liabilities	**6,946**	**(1,795)**	**5,151**

Other includes deferred tax assets on disallowed interest in the US and the UK, inventory provisions in the US and losses in the UK. Deferred tax assets totalling £572,000 in relation to disallowed interest in the US and the UK have not been recognised.

Company

The Company has no deferred tax asset or liability.

20 Share capital

	2023 £000
Allotted, called up and fully paid:	
5,000,000 ordinary shares of £0.01 each	**50**

21 Employee benefits

Group

The group operates a number of defined contribution pension plans. The total expense relating to these plans in the current period was £1,060,000.

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2023 £000	Company 2023 £000
Less than one year	**4,480**	**-**
Between one and five years	**12,374**	**-**
More than five years	**7,856**	**-**
	24,710	**-**

During the period £3,869,000 was recognised as an expense in the profit and loss account in respect of operating leases.

23 Commitments

Contractual commitments to purchase tangible fixed assets at the period-end were £175,000. Company: £nil.

Notes *(continued)*

24 Acquisitions

On 8 March 2023, Whitworth Midco Plc acquired 100% of the ordinary shares in LSP Investco Limited and its subsidiaries (together known as LoneStar Group) for £89,940,000, satisfied by cash, the issue of equity and loan notes. This acquisition has been accounted for as an acquisition under the acquisition method of accounting. The resulting goodwill and intangible assets of £13,032,000 was capitalised and will be written off over the period which reflects the directors' estimate of its useful economic life (see note 10 for further detail).

The table below sets out the book and fair values of the identifiable assets and liabilities acquired.

	Book value £000	Fair value adjustments £000	**Fair value £000**
Intangible fixed assets	-	8,292	**8,292**
Tangible fixed assets	6,276	-	**6,276**
Stocks	52,572	1,163	**53,735**
Debtors	38,786	-	**38,786**
Cash at bank and in hand	12,427	(436)	**11,991**
Creditors	(34,717)	(2,167)	**(36,884)**
Deferred tax	8,677	(2,364)	**6,313**
Net assets acquired			**88,509**
Acquisition related costs			**(3,309)**
Goodwill on acquisition			**4,740**
Consideration			**89,940**
Consideration by way of cash			**79,990**
Deferred consideration			**9,950**
Cash consideration			**(79,990)**
Cash acquired			**11,991**
Net cash outflow			**(67,999)**

25 Analysis of cash and cash equivalents

Group	Cash acquired £000	Cash flow £000	Exchange Movements £000	**Closing balance £000**
Cash at bank and in hand	11,991	(3,306)	(282)	**8,403**
Cash and cash equivalents	11,991	(3,306)	(282)	**8,403**

Notes *(continued)*

26 Analysis of net debt

The below is an analysis of changes in net debt of the Group from the beginning to the end of the current reporting period:

Group	Borrowings due within one year	Borrowings due after one year	**Subtotal**	Cash and cash equivalents	**Net debt**
Net debt analysis	£000	£000	**£000**	£000	**£000**
Acquired	-	-	**-**	11,991	**11,991**
Cash flows	18,901	55,774	**74,675**	(3,306)	**71,369**
Other non-cash changes	-	(6,318)	**(6,318)**	-	**(6,318)**
Exchange movements	-	-	**-**	(282)	**(282)**
	18,901	49,456	**68,357**	8,403	**76,760**

27 Contingent liabilities

As at 31 December 2023 certain subsidiaries of the Company were party to a group debt facility agreement agented by Wells Fargo, whereby the majority of the trading companies within the sub-group headed by Whitworth Bidco Limited guaranteed the financial obligations under the group debt facility of other companies within the group. The Whitworth Bidco Limited group's banking facilities were supported by legal charges on the assets of the group. In addition, as certain subsidiaries in the group have taken exemption from audit under s479A-479C of the Companies Act 2006 the Company has provided a guarantee over the liabilities that exist at 31 December 2023 in those subsidiaries. At 31 December 2023, the Company had contingent liabilities of £55,701,000 under security arrangements. The directors do not anticipate that the security provided by the Company will be called upon.

28 Related parties

Identity of related parties with which the Group and the Company has transacted

The Company has taken advantage of the exemption offered to subsidiary companies under FRS 102, paragraph 33.1A ('Related Party Transactions') for the non-disclosure of transactions between wholly owned companies in the same group.

Epiris LLP, who acts as the investment adviser to the ultimate controlling party Epiris GP III Limited, accrued a fee income and expenses of £125,000 which was paid for by the Company for providing director services and related expenses.

One of the directors at period end has interests in the immediate parent company, Usain Topco Limited, as at 31 December 2023.

Key management personnel

During the period, key management personnel were remunerated £2,457,000. The amount outstanding at 31 December 2023 was £1,055,000. As at 31 December 2023, certain key management personnel owned Ordinary shares in Usain Topco Limited.

29 Ultimate parent company and parent company of larger group

As at 31 December 2023 the Company was a subsidiary of Usain Topco Limited, a company registered in Jersey with the registered office address of Aztec Group House, IFC6 The Esplanade, St Helier, Jersey JE4 0QH.

The ultimate controlling party of Usain Topco Limited is Epiris GP III Limited (Reg No 138253) which has its registered office at Aztec Group House, IFC6 The Esplanade, St Helier, Jersey JE4 0QH. Epiris GP III Limited is the ultimate parent undertaking as general partner of Epiris Fund III LP (Reg No 3685) and Epiris Fund III (B) LP (Reg No 3684) each of whom has their registered office at Aztec Group House, IFC6 The Esplanade, St Helier, Jersey JE4 0QH.